03

Annual Report

HIGH POINT
RESOURCES INC.

HIGH POINT RESOURCES INC.

Contents

The Annual General Meeting of Shareholders of High Point Resources will be held on Wednesday, April 14, 2004 at 3:00 p.m. at the Calgary Petroleum Club, 319 Fifth Avenue SW, Calgary, Alberta. Shareholders are encouraged to attend and, if unable to do so, to sign and return the Instrument of Proxy at their earliest convenience.

EXPLORATION FOCUSED

A Canadian junior oil and gas company, High Point Resources Inc. is committed to creating shareholder value.

The business plan is exploration focused; targeting 80% or greater natural gas in the deeper part of the Western Canadian Sedimentary Basin on large land blocks and close to gas infrastructure.

Exploration and development activities are conducted in Western Alberta and British Columbia.

To our shareholders

The end of 2003 marked the completion of High Point's second full year under the new business strategy and our first year as a TSX-listed company. I'm pleased to report we achieved our objectives for the year:

- Created an asset base from which 80 per cent or greater of the production and value is sourced from long-life, high quality, natural gas reserves;
- Positioned High Point on the west half of the Western Canadian Sedimentary Basin, which supports our goals for sustainable gas development and high impact gas exploration;
- Focused activities in two strategic areas with the majority of the production, capital investments and field expenditures operated by High Point;
- Assembled a land base with multi-year exploration and development potential near natural gas infrastructure.

These objectives support our strategy for delivering predictable returns on investment. We do that by pursuing quality, long-life opportunities in focused core areas, maintaining a large land base, and assuming greater control over results through operatorship.

Part of our strategy involved shifting our focus from oil to natural gas. High Point believes North American gas markets will remain strong due to a scarcity of supply and increasing demands. Currently, even with record drilling activity, natural gas reserves in North America are depleting and new large North American supplies of natural gas from the frontiers or offshore are three to five years away. Demand is increasing for clean, environmentally friendly energy sources such as natural gas.

Our transition from an oil producer to a focused and growing natural gas explorer, developer and producer was completed by the end of 2003. In the fourth quarter of 2002 natural gas sales averaged 1.8 MMcf per day. By the fourth quarter of 2003, natural gas sales increased 644 per cent to 13.5 MMcf per day. At the same time, natural gas liquids increased by 1,047 per cent and heavy oil sales decreased by 81 per cent. In November of 2003, all of the company's heavy and medium gravity oil properties were sold. In December 2003, 98 per cent of the sales volumes were attributed to natural gas and natural gas liquids.

The value and sustainability of High Point's asset base improved dramatically from 2002 to 2003, when we focused all our efforts in two core areas: Northeast British Columbia and West Central Alberta. Key activities included development and exploration on the existing land base at Desan and Lochend acquired in 2002, acquisition of assets in West Central Alberta, crown land purchases in Northeast British Columbia and the sale of non-strategic assets. Proven reserves increased by 242 per cent with a reserve life index of 10.6 years. The five major properties in our two strategic focus areas represent more than 90 per cent of the company's asset base.

Excellent results associated with all of our key operating and financial indicators prove our business strategy of focusing our operations is working. Expansion and growth of the company has brought increases in cash flow, earnings and net asset value per share.

High Point's achievements in 2003:

Year over year Performance (2002/2003)

Total production increased 67% from 1,273 to 2,121 BOE/d
Natural gas production increased from 2.2 to 10.1 MMcf/d

Gross revenues increased 98% to more than $27 million

Cash flow increased 142% to almost $12 million
Cash flow per share increased 22% from $0.18 to $0.22

Field operating costs per BOE decreased 24% to $4.91/BOE

Earnings increased by $8.7 million to $1.5 million
Positive earnings of $0.03 per share were achieved in 2003 after a loss of ($0.27) in 2002

Total proven reserves increased 242% to more than 8.2 MMBOE
98% natural gas and natural gas liquids
No significant negative technical revisions

Undeveloped land increased 22% to more than 81,000 net acres
Land value increased 77% to over $9 million

Net asset value grew 241% to 71.7 million
Net asset value per share increased by 92% from $0.53 to $1.02

Year-end market capitalization increased by 198% to $181.8million
Share price appreciated by 66% from $1.55 to $2.58

Production

High Point's year over year production grew 67 per cent from 2002 to 2003. The composition of our production base shifted from 71 per cent oil and liquids to 80 per cent natural gas. The shift was due mainly to 11 natural gas wells being placed on production at Desan. Additional volumes were added late in the year through a six-well drilling program at Ferrier and a 13-well drilling program at Lochend. In total, the 2003 drilling program added an average of approximately 1,400 BOE per day.

Added production volumes from the Glacier Ridge Resources Ltd. acquisition in July 2003 more than offset annual declines and non-core property dispositions through the year. The full impact of the Glacier Ridge acquisition will be felt in 2004 when a complete year of production is recorded. Ferrier, the key asset in the acquisition, has received down spacing approval and the facilities are being modified and expanded to prepare for the upcoming six to ten well drilling program.

Production rose during each consecutive quarter in 2003. Production in the fourth quarter of 2003 was up 294 per cent over the fourth quarter of 2002. The second quarter of each year will generally provide the most significant production gains as the winter program is completed in Northeast British Columbia. The company did experience production delays throughout the year due to a number of factors; however, the overall program was very successful.

Performance in 2003 *(First Quarter to Fourth Quarter)*

Production increased 109% from 1,314 to 2,749 BOE/d

Natural gas increased from 5.7 to 13.8 MMcf/d

Operating costs decreased 31% from \$6.22/BOE to \$4.31/BOE

Operating costs in December 2003 averaged \$3.73/BOE

Cash flow increased 23% from \$2.5 million to \$3.0 million

Commodity prices decreased between 24% and 29%

Reserves

Proven reserve additions in 2003 replaced production by 8.5 times. The implementation by the Alberta Securities Commission of the NI 51-101 policy placed more stringent and restrictive guidelines on reserve evaluations and forecasts. High Point had no significant negative revisions as a result of NI 51-101 and some minor technical revisions on non-strategic assets. Increases of 38.4 billion cubic feet of natural gas and 912 MBbls of natural gas liquids were booked in 2003. Oil reserves decreased by 395 MBbls as a result of property dispositions. Proven and proven plus probable reserve life indices are 10.6 and 13.1 years respectively based on 2003 production levels.

Desan, Ferrier, Lochend and Medicine Lodge account for more than 97 per cent of High Point's proven reserves. Current producing zones are characterized by either tight limestone or sandstone reservoirs that require horizontal drilling or fracture stimulation to enhance productivity. Current reservoirs are not associated with aquifers, thus watering out is not a concern. With the exception of the Jean Marie formation at Desan, which is a dry gas reservoir, all the other properties produce high quantities of natural gas liquids in conjunction with the natural gas. In addition, the Ferrier, Lochend and Medicine Lodge properties produce a high BTU natural gas, which commands premium prices. Lochend produces significant quantities of light oil.

All of High Point's major properties are a result of recent discoveries within the past two years. Although the reservoirs are new to High Point, these reservoir types all have significant production histories on adjacent lands. In all cases, the analog reservoirs we are currently developing have produced for more than 15 years. Because our production base is relatively new, reserve bookings by independent engineers will appear conservative until sufficient historical data has been accumulated for each new well. High Point expects positive additions annually for existing reservoirs, provided current economic conditions continue.

Land

High Point holds more than 81,000 net acres of undeveloped land valued at approximately $9 million. The majority of the land was purchased in 2002, so land expirations are not a concern. The most significant land acquisition in 2003 occurred at Desan where 14 sections were purchased at a crown land sale. The land evaluation was prepared by an independent evaluator and complies with NI 51-101.

We maintain an average working interest of 49 per cent on our properties - with 98 per cent average working interest on B.C. lands and 19 per cent average working interest on Alberta lands. We expect our land inventory will continue to provide exploration and development opportunities for a minimum of three to five years.

All of High Point's significant land holdings are strategically situated over known resource accumulations and near infrastructure. The proximity to infrastructure is crucial to timely development of natural gas prospects, especially in more remote areas. More than 85 per cent of High Point's lands are focused in our core exploration and development areas – Desan, Mackenzie, Ferrier, Lochend and Ricinus. More than 98 per cent of the land is situated in the deeper zones of the Western Canadian Sedimentary Basin.

Operations

A new key operating area was added at Ferrier through the purchase of Glacier Ridge. The key characteristics of the Ferrier asset are aligned with High Point's business plan and operating strategy. The Ferrier property provides the potential to expand our production, development and exploration base in West Central Alberta through farm-ins, crown land sales and property acquisitions. For the most part, the Ferrier area allows year-round access enabling High Point to carry out an active summer program, which was not possible in 2003.

High Point invested close to $10 million on facilities and pipelines in 2003. The facilities and pipelines in the core areas are being designed to accommodate future development. High Point owns and operates the majority of its infrastructure. Where we are a joint venture partner, we own sufficient infrastructure to process our production.

The capital investment in infrastructure is lowering the unit operating cost structure of the company by reducing third party processing fees. The Desan, Ferrier and Medicine Lodge fields accounted for 77 per cent of High Point's production in 2003, with average unit operating costs of $2.84, $3.50 and $2.52 per BOE respectively. At Lochend, new facilities were commissioned in October 2003. Increases in production, accompanied by lower fluid handling costs will reduce Lochend's operating costs in 2004.

The sale of non-strategic assets at the end of 2003, as well as capital investment in infrastructure, will position High Point's operating cost structure in the top quartile of the industry. Additional unit operating cost reductions are expected in all core areas in 2004.

Investment, Financing and Finding and Development Costs

In 2003, to accommodate the aggressive growth of the company, $98.5 million of capital was invested.
The investment was split almost equally between new projects and acquisition activities. Fifty-two per cent or $51.5 million was invested in new exploration and development projects, while 47 per cent or $46.5 million went to the acquisition of Glacier Ridge.
The investment added more than 7.2 MMBOE of proven and probable reserves in accordance with NI51-101 reserve definitions. It also expanded the land base and infrastructure to accommodate future development. Reserve additions replaced 2003 production by 8.5 times in the proven case and 10.8 times in the proven and probable case.

Overall investment in drilling and completions accounted for 73 per cent ($37.5 million) of the new project spending with facilities and pipelines at 19 per cent ($9.9 million) and land and seismic at eight per cent ($4.0 million). The drilling program added 4.5 MMBOE of proven and 5.2 MMBOE of proven and probable reserves. The total cost per BOE was $12.09 for proven and $12.37 for proven and probable exluding land and seismic and including future development cost.

High Point's largest asset and future resource is the Desan property. We have a 100 per cent interest in Desan and invested $41.1 million in this property in 2003. Desan began production in 2003 and produced approximately 2.5 Bcf of gas in a nine-month period. The land and infrastructure are now in place with a minimum of four years development planned. The area is prospective for deep and shallow natural gas exploration targets.

Desan added reserves at a cost of $12.70 per BOE for proven and $10.70 per BOE for proven and probable. Amortizing land, seismic and infrastructure over a five-year period would reduce the finding and development costs at Desan by approximately 20 per cent in 2003. In 2004, the company plans to add proven reserves at less than $10.00 per BOE. Current proven and probable reserve bookings are less than 30 per cent of the potential resource base.

The acquisition of Glacier Ridge occurred in mid-2003 and the full impact will not be realized for two years. The main asset in the Glacier Ridge acquisition was the Ferrier property, which represented more than 90 per cent of the reserve and land value of Glacier Ridge. High Point has a minimum of two years development work at Ferrier with an active summer program planned in 2004. The current reserves associated with the acquisition show a finding and development cost of $15.90 per BOE for proven reserves and $11.01 per BOE for proven and probable. We strongly believe that with the planned development and improved recovery over time, reserves could increase by as much as 40 per cent. Our 2004 program is expected to add proven reserves at under $7.00 per BOE.

High Point will continue to invest in high quality, long-life natural gas reserves. A solid operating and land base has been established in each of our two core areas. The exploration and development programs in Northeast British Columbia have the potential to deliver sustainable and predictable results for more than five years. As well, we plan to expand our West Central Alberta core area through development and acquisition. Within the next three years, High Point plans to achieve a balance between investments in Northeast British Columbia and Western Alberta.

High Point's employees, consultants, management and directors are committed to steadily building asset and shareholder value. The company is planning to achieve a sustainable production level of more than 5,000 BOE per day in 2005. The dedication and expertise of our field and office personnel will ensure that we achieve our goals.

On behalf of the management and staff of High Point, I would like to thank the shareholders for their continued support.

G A Yeryk

Glen A Yeryk

President & Chief Executive Officer

Desan

The Desan property is located in the Greater Sierra area of Northeast British Columbia. High Point holds a 100 per cent interest in 68 drilling spacing units (DSU) in the Greater Sierra area; 54 DSU's at Desan. Each DSU is slightly larger than a section. The area is more accessible in the winter than summer. High Point conducts the majority of its activities in the area in late fall and winter.

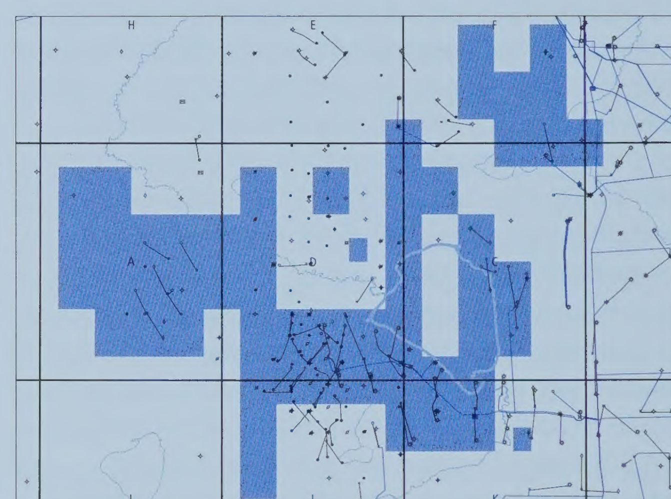
The majority of the land was acquired in 2002. The main target is the Devonian Jean Marie, which is being developed using under-balanced horizontal drilling technology and at one well per DSU. High Point commenced operations at Desan in the fall of 2002 and is currently completing its' second winter drilling season.

The first gas flowed from Desan in January 2003. At report time, a total of 16 Jean Marie wells (or 23 per cent of the available Jean Marie locations) have been cased for production. The additional potential of the Debolt, Banff, Slave Point and Keg River formations is being evaluated in the current 2003/2004 winter drilling program.

MacKenzie

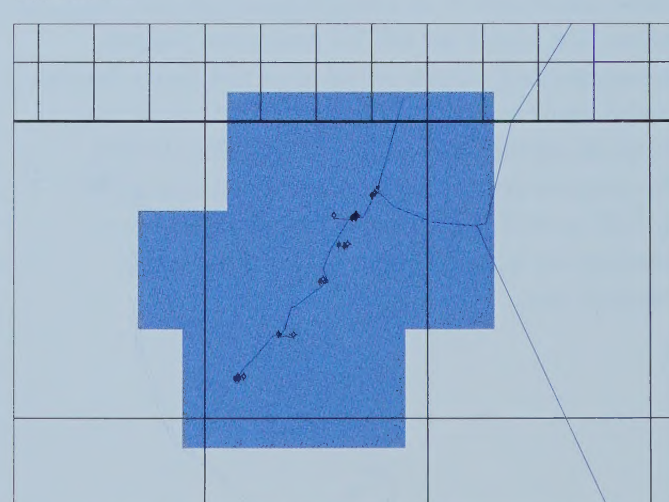
MacKenzie is a major exploration prospect in the early stages of evaluation. The land was acquired in 2002. High Point owns 100 per cent working interests in selective rights. In December 2003, High Point acquired 3D seismic coverage on the majority of this exploration block. The 38 DSU's have gas potential in the Scatter, Chinkeh, Flett, Mattson, and Jean Marie formations. High Point is evaluating the seismic to select locations for an exploration program to be initiated in the latter part of 2004.

Desan



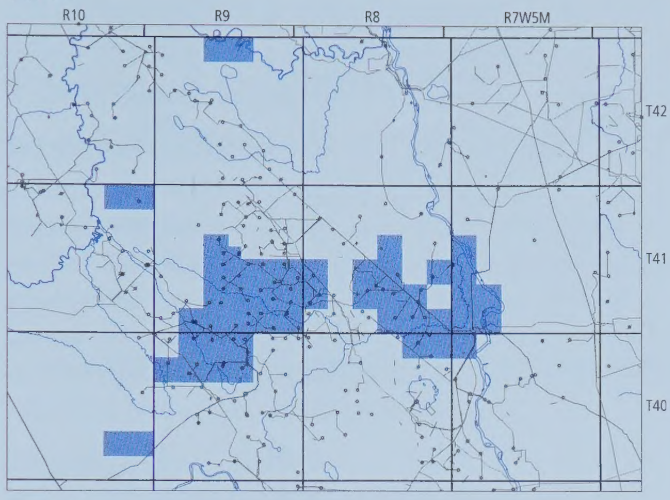
High Point Land
Pipelines
Map centre A-54-D/94-P-7

Mackenzie



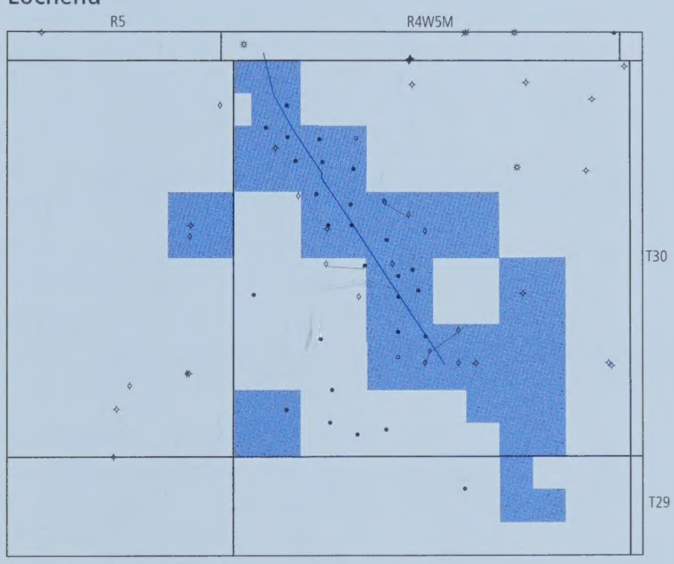
High Point Land
Pipelines
Map Centre on: B-54-K/94-N-16

Ferrier



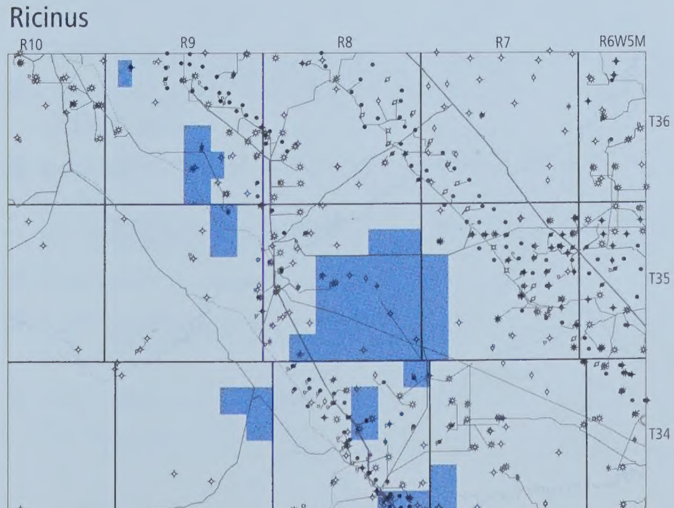
High Point Land
Pipelines

Lochend



High Point Land
Pipelines

Ricinus



High Point Land
Pipelines

Ferrier

High Point targets liquids rich natural gas reserves in the Ellerslie, Ostracod, and Rock Creek formations at depths to 2,900 metres. Since acquiring the property in mid 2003, the company has participated in seven successful multi-zone wells. The area has regulatory approval to develop two wells per section. Twenty nine locations are available for development at two wells per section. High Point has 3D seismic coverage on the property and plans a six to ten well drilling program in 2004. Facilities are currently being expanded to accommodate future drilling.

Lochend

The Lochend block is being developed for Cardium oil and natural gas. The lands follow a Cardium bar trend. The North West portion of the trend is largely developed with significant development potential to the Southeast. Twenty six wells have been drilled, with potential for an additional 17 development locations. High Point has a 21 per cent working interest in these lands.

Ricinus

Ricinus is a major exploration project for High Point. The company assembled a large contiguous land block to explore for liquids rich natural gas and light oil. High Point has drilled two exploration wells on the block. Both wells require additional stimulation and production testing. High Point is expanding the seismic data base in the area and plans to continue exploratory drilling in 2004.

Highlights

	For the twelve months ended December 31		For the three months ended			
	2003	2002	4th Qtr 2003	3rd Qtr 2003	2nd Qtr 2003	1st Qtr 2003
Production						
Light oil (Bbl/d)	115	589	101	128	129	100
Heavy oil (Bbl/d)	125	266	48	95	154	205
Gas (Mcf/d)	10,133	2,229	13,533	11,225	10,006	5,669
Liquids (Bbl/d)	193	46	344	248	113	64
BOE at 6:1	**2,121**	**1,273**	**2,749**	**2,341**	**2,063**	**1,314**
Total BOE produced	774,257	464,551	252,875	215,386	187,764	118,232
Prices						
Light oil ($/Bbl)	41.12	33.73	37.12	39.73	39.96	48.57
Heavy oil ($/Bbl)	25.76	25.74	17.76	22.79	22.26	31.74
Gas ($/Mcf)	5.88	4.16	5.33	5.48	6.22	7.46
(prices are net of processing and hedging difference)						
Per BOE ($)						
Petroleum & natural gas revenues (net of hedges)	35.02	29.46	32.05	33.14	36.11	43.04
Royalties (net of ARTC & GCA)	(9.94)	(6.91)	(9.59)	(8.08)	(10.51)	(13.19)
Operating costs	(4.91)	(6.81)	(4.31)	(6.03)	(3.59)	(6.22)
Field netback	**20.17**	**15.74**	**18.15**	**19.03**	**22.01**	**23.63**
Other income	0.16	0.12	–	0.19	0.01	0.67
G&A	(3.13)	(3.44)	(3.06)	(4.18)	(2.20)	(2.83)
Interest-cash	(1.31)	(1.26)	(1.76)	(1.68)	(0.72)	(0.64)
Current taxes	(0.46)	(0.53)	(1.32)	(0.08)	–	–
Cash flow	**15.43**	**10.63**	**12.01**	**13.28**	**19.10**	**20.83**
Financial ($000)						
Petroleum & natural gas revenues (net of royalties and hedges)	19,412	10,476	5,678	5,398	4,806	3,530
Other income	124	55	1	43	1	79
Operating costs	(3,799)	(3,165)	(1,089)	(1,300)	(674)	(736)
G&A	(2,422)	(1,599)	(775)	(899)	(413)	(335)
Interest-cash	(1,016)	(584)	(444)	(363)	(133)	(76)
Taxes & other	(352)	(244)	(334)	(18)	–	–
Cash flow	**11,947**	**4,939**	**3,037**	**2,861**	**3,587**	**2,462**
Depletion & depreciation	(12,563)	(10,313)	(3,844)	(3,624)	(2,975)	(2,120)
Future tax (expense) recovery	2,180	4,693	1,241	(253)	1,241	(49)
Interest-non cash	(74)	(68)	(18)	(19)	(19)	(18)
Loss on disposal	–	(6,437)	–	–	–	–
Earnings (loss)	**1,490**	**(7,186)**	**416**	**(1,035)**	**1,834**	**275**
Weighted average outstanding shares-basic	55,329,790	26,719,775	67,544,528	64,744,256	47,537,738	41,098,566
Cash flow $ per share-basic	0.22	0.18	0.04	0.04	0.08	0.06
Earning (loss) $ per share-basic	0.03	(0.27)	0.01	(0.02)	0.04	0.01

Management's Discussion and Analysis (MD&A) and Review of Operations

For the years ended December 31, 2003 and 2002

The following information has been prepared by management and should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2003 and 2002. Petroleum and natural gas reserves and volumes are converted to a common unit of measure on a basis of six thousand cubic feet (Mcf) of gas to one barrel (Bbl) of oil.

Highlights of 2003

- Cash flow from operations of $11.9 million compared with $4.9 million in 2002 (142 per cent increase).
- Gross revenues of $27.1 million compared with $13.7 million in 2002 (98 per cent increase).
- Average daily gas production in 2003 increased to 10.1 MMcf/d compared with 2.2 MMcf/d for 2002 (355 per cent increase).
- Gas production in 2003 represented 80 per cent of total production compared with 29 per cent in 2002.
- December 2003 production was 2,710 BOE/d, compared with 648 BOE/d in 2002 (318 per cent increase).
- Capital expenditures (excluding acquisitions) were $51.5 million in 2003, of which 79 per cent was invested in the Desan Lakes property.
- The Desan Lakes capital program has resulted in 11 wells producing approximately 10 MMcf/d at December 31, 2003, plus a compressor facility, and pipeline and gathering system.
- Acquisition of Glacier Ridge Resources Ltd. (Glacier) for consideration of $39.8 million in cash and shares, plus the assumption of $6.7 million in net working capital and debt.
- Sale of non core, low netback properties for proceeds of $3.2 million.
- Issuance of 14,834,207 common shares for gross cash proceeds of $27.1 million (in addition to shares issued for options and the Glacier acquisition).
- An increase in bank credit facility to $32 million.
- A Bridge financing facility was secured to provide up to $15 million.
- Total corporate net debt of $42.9 million at December 31, 2003.

The MD&A contains the term cash flow from operations which should not be considered an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with Canadian GAAP as an indicator of High Point's performance. High Point's determination of cash flow from operations may not be comparable to that reported by other companies. The reconciliation between net (loss) earnings and cash flow from operations can be found in the Consolidated Statements of Cash Flows. The company also presents cash flow per share whereby cash flow from operations is divided by the weighted average number of shares outstanding to determine per share amounts.

High Point uses the term net debt in its MD&A and presents a table showing how it has been determined. This measure does not have any standardized meaning prescribed by Canadian GAAP and is therefore unlikely to be comparable to similar measures presented by other companies.

Petroleum and natural gas revenues

Netbacks

	2003 774,257 BOE		2002 464,551 BOE		%
	$000	**$/BOE**	**$000**	**$/BOE**	**change**
Gross revenue	27,056	34.95	14,326	30.83	89
Hedges	55	0.07	(637)	(1.37)	n/a
Royalties	(8,165)	(10.54)	(3,937)	(8.47)	107
ARTC & GCA	466	0.60	724	1.56	(36)
Subtotal	**19,412**	**25.08**	**10,476**	**22.55**	**85**
Operating costs	(3,799)	(4.91)	(3,165)	(6.81)	20
Operating netback	**15,613**	**20.17**	**7,311**	**15.74**	**114**
Other	124	0.16	55	0.12	125
General administration costs	(2,422)	(3.13)	(1,599)	(3.44)	51
Interest-cash	(1,016)	(1.31)	(584)	(1.26)	74
Current taxes	(352)	(0.46)	(244)	(0.53)	44
Cash flow from operations	**11,947**	**15.43**	**4,939**	**10.63**	**142**

Gross revenues were $27.1 million in 2003 compared to $14.3 million in 2002, a 89 per cent increase. The increase is a result of a 67 per cent increase in production to 774,257 BOE; a shift in product mix to 80 per cent gas and 20 per cent oil and liquids in 2003 from 29 per cent gas and 71 per cent oil and liquids in 2002; and price increases of 41 per cent for gas to $5.88 per Mcf, and an increase of 22 per cent for light crude to $41.12 per Bbl in 2003.

Revenue contribution analysis

	2003 $000	2003 %	2002 $ 000	2002 %	% change
Oil & liquids	5,136	19	10,911	76	(53)
Natural gas	21,761	80	3,382	24	543
Royalty revenue	159	1	33	–	382
Subtotal	**27,056**	**100**	**14,326**	**100**	**89**
Hedging gain (loss)	55	–	(637)	–	–
Total revenue	**27,111**	**–**	**13,689**	**–**	**98**

Product mix analysis

	2003		2002		% change
Oil and liquids (Bbls/d)	433	20%	901	71%	(52)
Natural gas (Mcf/d)	10,133	80%	2,229	29%	355
BOE/d (6:1)	**2,121**	**100%**	**1,273**	**100%**	**67**

The focus shifted from crude oil to natural gas production starting with the sale of the majority of the Corporation's oil properties in July 2002. In January 2003, new production commenced from the natural gas wells drilled at Desan. Properties acquired through the Glacier purchase (predominantly natural gas properties) were added in July 2003. Further, the oil properties at Progress and Lloydminster were sold effective December 1, 2003.

Natural gas sales from the Desan Lakes area represented 54 per cent of the Corporation's sales for the month of December 2003, while production from Ferrier accounted for 22 per cent, Medicine Lodge 6 per cent, Lochend 14 per cent, and 4 per cent from all other properties.

Commodity pricing and marketing

Prices

	2003	2002	% change
Light oil $/Bbl	41.12	36.69	12
Hedge $/Bbl	–	(2.96)	n/a
Net light oil $/Bbl	**41.12**	**33.73**	**22**
Heavy oil $/Bbl	**25.76**	**25.74**	**–**
Natural gas $/Mcf	5.86	4.16	41
Hedge $/Mcf	0.02	–	–
Net gas $/Mcf	**5.88**	**4.16**	**41**
Natural gas liquids $/Bbl	**32.61**	**31.06**	**5**

Petroleum products are sold to major Canadian marketers at spot reference prices based on USD WTI for crude oil and AECO-C for natural gas. In January 2003, High Point entered into 2 one-year costless collar contracts for natural gas. The first contract commenced on February 1, 2003 for 2,000 GJ/day with a floor price of $5.50/GJ and a ceiling price of $7.45/GJ. The second contract commenced on March 1, 2003 for 2,000 GJ/day with a floor price of $5.50/GJ and a ceiling price of $7.47/GJ. High Point has entered into additional hedging contracts in 2004, see note 13 in the financial statements for details.

Performance by property

	Production				Netbacks/BOE	
	2003		2002		2003	2002
	BOE	%	BOE	%	$	$
Desan (new)	411,606	53	–	–	18.76	–
Ferrier (new)	97,741	13	–	–	23.76	–
Lochend (new)	73,731	9	3,652	1	22.80	26.42
Medicine Lodge	83,170	11	138,200	30	27.29	17.15
Progress (sold)	24,934	3	47,887	10	7.44	11.09
Lloydminster (sold)	45,651	6	97,248	21	4.92	10.09
Mitsue (sold)	–	–	135,221	29	–	19.94
Utikuma (sold)	–	–	31,659	7	–	16.56
Other	37,424	5	10,684	2	–	–
Total BOE	**774,257**	**100**	**464,551**	**100**	**20.17**	**15.74**
BOE/day	**2,121**	**–**	**1,273**	**–**	**–**	**–**

Key 2003 properties netback/BOE

	Desan	Ferrier	Lochend	Medicine Lodge	Progress	Lloyd
Revenue	32.84	36.96	34.87	43.01	42.04	25.77
Royalties	(11.24)	(9.70)	(6.94)	(13.20)	(10.75)	(8.22)
Operating Costs	(2.84)	(3.50)	(5.13)	(2.52)	(23.85)	(12.63)
Operating netback	**18.76**	**23.76**	**22.80**	**27.29**	**7.44**	**4.92**
Royalties as a percentage of revenue						
Crown	24%	25%	15%	28%	24%	13%
GORR	10%	1%	5%	2%	2%	19%
Total royalties	**34%**	**26%**	**20%**	**30%**	**26%**	**32%**

Royalties

Royalty expenses before ARTC and GCA were 30 per cent of gross revenues ($10.54/BOE) in 2003 compared to 29 per cent in 2002 ($8.47/BOE). Crown royalties were 23 per cent in 2003 and 22 per cent in 2002. Other royalties were 7 per cent for both years.

Operating expenses

Operating expenses were $4.91/BOE for 2003, down 28 per cent on a per BOE basis from the $6.81/BOE for 2002. This decrease was due to the sale of higher operating cost oil properties in the second half of 2002, and increased production from lower operating cost gas properties.

Operating costs are expected to further decrease on a BOE basis because of the sale of Progress and Lloydminster in December 2003 (both high operating cost oil properties), and as more production is added at Desan and Ferrier, where 2003 operating costs averaged $2.84/BOE and $3.50/BOE respectively.

General and administration costs

	2003		2002		%
	$000	$/BOE	$000	$/BOE	Change
Gross	3,122	4.03	1,979	4.26	58
Recoveries	(700)	(0.90)	(380)	(0.82)	84
Net	**2,422**	**3.13**	**1,599**	**3.44**	**51**

Gross general and administration (G&A) expenses were 58 per cent higher in 2003 due to growth in the Corporation. Salaries and consulting costs increased 26 per cent which included bonuses of $250,000 awarded to certain officers and an employee in the third quarter. Office rent and expenses increased 94 per cent due to the Corporation's office lease renewal in the second quarter. The Corporation had been in a low cost sub-lease arrangement and became the principle lease holder upon renewal. Audit fees increased 73 per cent due to additional time required to ensure compliance with changing North American accounting and securities rules and regulations and corporate growth. Legal fees were up 125 per cent because of the increase in business activity during 2003, which included debt financing facilities and graduation to the TSX Exchange (TSX). Fees to the TSX were $120,000. Insurance costs increased $137,000 (430 per cent) due to the acquisition of Glacier, as well as increased drilling and production activity and property values.

No G&A costs indirectly associated with exploration were capitalized during 2003 or 2002. As is the practice with many of the Corporation's competitors, had the Corporation chosen to capitalize exploration G&A, net G&A could have been reduced by as much as $200,000 or $0.25 per BOE, to bring total net G&A to $2.88/BOE.

Interest

Interest expense incurred with the bank operating line was $713,930 in 2003 compared with $373,714 in 2002, an increase of 91 per cent. This was mainly due to a $20,000,000 increase in the bank line in 2003. At December 31, 2003, the Corporation had $20,000,000 drawn against the line.

In November 2003 the Corporation entered into a bridge financing facility (as detailed in note 6 of the financial statements) and had drawn $10,000,000 against this facility. Interest in 2003 was $92,467 related to this facility.

Interest of $210,000 was also recorded in 2003 and 2002 on the convertible debentures. In addition, non-cash financing charges of $74,360, related to the accretion of the discount on the convertible debentures, were recorded in 2003 (2002 – $67,600).

For the year ended December 31, 2003, the effective interest rate was 4.7 per cent (5.1 per cent in 2002).

Depletion, depreciation and site restoration

Depletion and depreciation rates for oil and gas properties dropped from $21.58/BOE in 2002 to $15.76/BOE in 2003. This was due to an increase in proven reserves of over 243% in 2003 over 2002. The total depletion and depreciation and site restoration for the twelve months ended December 31, 2003 was $12.6 million compared to $10.3 million for the same period in 2002. The amounts were higher in 2003 because of the much larger property and equipment carrying value ($125 million at December 31, 2003 compared with $46 million at December 31, 2002). 2002 results also reflected a ceiling test impairment of $3.9 million which was included in depletion expense.

Taxes

The Corporation has accrued $288,043 (2002 – $74,040) in current taxes representing 'Large corporation tax' for 2003 and $63,893 (2002 – $170,285) in Part XII.6 tax relating to flow through share expenditures.

A future tax recovery of $2,179,983 was recorded in 2003 earnings (2002 – $4,693,212). The key issue affecting the Corporation's future tax liabilities in 2003 is the federal tax rate reduction and the acquisition cost adjustment on the Glacier acquisition.

Future income tax liability	**$ 000**
Balance at December 31, 2002	10,780
Effect of flow-through share renouncements	10,700
Tax effect of share issue costs	(1,118)
Additional future tax associated with the Glacier acquisition	11,654
Recovery for 2003 (see note 9 of the financial statements)	(2,180)
Balance at December 31, 2003	**29,836**

Net earnings (loss)

A loss before taxes of $338,199 for 2003 was comparably better than the $11.6 million loss before taxes for 2002. The 2003 loss before taxes includes $74,360 of non cash accretion interest and $12.6 million of depletion and depreciation. The 2002 loss before taxes includes a $3.9 million impairment from the ceiling test and a $6.4 million loss on sale of assets.

2003 results reflect net earnings of $1,489,849 which includes a future income tax recovery of $2,179,983, compared to a net loss for 2002 of $7,185,692 which included a future income tax recovery of $4,693,212.

Capital

	$ 000
Property & equipment balance at December 31, 2002	45,638
Additions	51,518
Acquisition of Glacier Ridge Resources Ltd.	43,615
Disposals	(3,248)
Depletion and depreciation	(12,249)
Property & equipment balance at December 31, 2003	**125,274**

Exploration and development expenditures			$ 000
	2003	2002	%change
Land	2,781	3,271	(15)
Geological and geophysical	1,212	292	315
Drilling and completion	37,506	12,592	198
Plant and facilities	9,948	3,279	203
Other assets	71	290	(76)
Total exploration and development	**51,518**	**19,724**	**161**

Expenditures by area $ 000

	Land	Geological and geophysical	Drilling and completion	Plant and facilities	Other	Total
Desan	2,440	593	30,573	7,496	–	**41,102**
Lochend	46	–	2,899	1,642	–	**4,587**
Ricinus	–	56	31	62	–	**149**
Ferrier	65	–	1,972	512	–	**2,549**
Boltan	13	–	1,064	6	–	**1,083**
Kotcho-Sierra	90	477	–	–	–	**567**
Cadotte	–	–	480	3	–	**483**
Other	127	86	487	227	71	**998**
Total	**2,781**	**1,212**	**37,506**	**9,948**	**71**	**51,518**

On December 31, 2003, the Corporation sold its oil producing properties at Progress, Alberta and heavy oil properties at Lloydminster, Saskatchewan, along with a gas property at Monitor, Alberta. Proceeds from the disposal were $2,535,948. Various other minor interests were sold throughout 2003 for combined proceeds of $711,981.

Drilling activity (well count)

	Drilling & producing		Abandoned or suspended		Work in progress	
	Gross	Net	Gross	Net	Gross	Net
Desan	10	10.00	2	2.00	2	2.00
Lochend	13	2.73	1	0.21	–	–
Ferrier	6	1.11	–	–	–	–
Ricinus	–	–	–	–	1	0.85
Cadotte	–	–	2	0.75	–	–
Other	–	–	–	–	–	–
Total	**29**	**13.84**	**5**	**2.96**	**3**	**2.85**

At Desan, 11 wells were producing at December 31, 2003: Two wells drilled in 2003 were tied in and put on production in January and February 2004.

At Ferrier four of the six producing wells drilled in 2003 were tied in and put on production in January and February 2004.

Liquidity and capital resources

At December 31, 2003, High Point's market value of common shares was $155 million based on the average December price of $2.20 per share times 70,469,528 shares outstanding.

Cash flow provided by 2003 operations was $11,947,386 or 142 per cent higher than the $4,938,949 realized in 2002. Funds provided by operations per weighted basic share were $0.22 in 2003 compared to $0.18 in 2002.

Debt and Working capital		$ 000
	2003	2002
Cash & working capital deficiency	10,006	7,823
Bank debt	20,000	–
Bridge financing	10,000	–
Convertible debentures	2,918	2,844
Total net debt	**42,924**	**10,667**

At December 31, 2003, the Corporation's debt and working capital deficiency was $42,923,893, a 302 per cent increase over 2002. The additional debt was incurred as part of the financing for 2003 additions to property, plant and equipment, and the acquisition of Glacier.

At December 31, 2003, there was $12,000,000 of unused bank line and $5,000,000 of additional funding available through the bridge financing facility.

Source of funds used	$ 000
Net proceeds from asset disposals	3,248
Increase in bank debt	20,000
Increase in Bridge financing	10,000
Issuance of shares, net of costs	51,142
Cash flow from operations	11,947
Change in cash and working capital	2,183
	98,520
Net additions to property and equipment	51,518
Abandonment costs	511
Acquisition of Glacier Ridge Resources Ltd.	39,816
Assumption of Glacier debt and working capital	6,675
	98,520

Details of the 2003 loan facilities are explained in note 6 of the financial statements.

Details of the 2003 share issues are explained in note 8 of the financial statements.

Details on the acquisition of Glacier Ridge Resources Ltd. are explained in note 3 of the financial statements.

Reserves

High Point retained the independent engineering firm of Gilbert Laustsen Jung Associates Ltd. (GLJ) to evaluate the Corporation's reserve properties at January 1, 2004. The Audit and Reserves Committee has recommended acceptance of the GLJ reserve estimates for purposes of the Annual Report.

Reserves reconciliation	Crude oil and liquids (Mstb)			Natural gas (Bcf)			Barrel equivalent (6:1) (MMBbl)		
	Proven	Probable	Total	Proven	Probable	Total	Proven	Probable	Total
Total at January1, 2003	823.0	373.0	1,196.0	9.5	3.2	12.7	2.40	0.91	3.31
Development	424.3	84.4	508.7	24.6	3.4	28.0	4.52	0.65	5.17
Acquisitions	624.0	297.0	921.0	13.8	6.0	19.8	2.92	1.30	4.22
Dispositions	(303.7)	(91.0)	(394.7)	(0.1)	(0.2)	(0.3)	(0.32)	(0.12)	(0.44)
Production	(156.1)	–	(156.1)	(3.7)	–	(3.7)	(0.77)	–	(0.77)
Revisions	(73.9)	(275.5)	(349.4)	(2.9)	(3.6)	(6.5)	(0.55)	(0.89)	(1.44)
Total at December 31, 2003	**1,337.6**	**387.9**	**1,725.5**	**41.2**	**8.8**	**50.0**	**8.20**	**1.85**	**10.05**

GLJ used the following pricing assumptions in the escalated reserves pricing case.

Pricing assumptions	WTI ($US/Bbl)	Edmonton Reference Price ($Cdn/Bbl)	AECO-C Spot Price ($Cdn/MMBTU)
2004	34.25	44.75	6.65
2005	29.00	37.75	5.55
2006	27.00	35.25	5.20
2007	25.00	32.50	5.00

Summary of reserve value - escalated prices

Reserves category	Oil MSTB		Sales Gas MMcf		NGL MSTB		BOE MSTB		Cumulative Cash Flow (BIT) $ 000		
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Undisc.	10%	15%
Proved producing	169	157	28,929	21,236	775	568	5,765	4,264	101,260	67,261	58,276
Proved Developed NonProducing	23	22	5,818	3,929	125	87	1,117	764	20,570	13,370	11,563
Proved Undeveloped	11	9	6,558	4,566	235	168	1,340	938	21,727	11,290	8,936
Total Proved	**203**	**188**	**41,305**	**29,731**	**1,135**	**823**	**8,222**	**5,966**	**143,557**	**91,921**	**78,775**
Probable	69	65	8,778	6,462	319	232	1,851	1,374	35,370	13,651	10,094
Total proved plus probable	**272**	**252**	**50,083**	**36,193**	**1,454**	**1,055**	**10,073**	**7,340**	**178,927**	**105,572**	**88,869**

Gross reserves are the total of the Company's working and/or royalty interest share before deduction of royalties owned by others.

Net reserves are the total of the Company's working and/or royalty interest share after deducting the amounts attributable to royalties owned by others.

Net asset value ($000, except per share data)	2003	2002
Proved plus probable reserves at 10%	105,572	26,595
Value of undeveloped land	9,015	5,105
Working capital (deficiency)	(10,006)	(7,823)
Convertible debenture	(2,918)	(2,844)
Bank dept	(20,000)	–
Bridge financing	(10,000)	–
Net asset value	**71,663**	**21,033**
Common shares outstanding (thousands)	70,470	39,366
Net asset value per share	**$1.02**	**$0.53**

The 2002 net present value represents the established (risked reserves). The 2003 net present value also represents risked reserves under the new NI 51-101 policy guide.

Land value at December 31, 2003 was assessed by Seaton-Jordan & Associates Ltd. The Corporation's undeveloped land holdings at December 31, 2003 were 19,819 net acres (105,654 gross acres) in Alberta, 62,027net acres (63,228 gross acres) in B.C. for a total of 81,846 net acres (168,882 gross acres).

On a constant price basis with unescalated costs using 2004 pricing of $39.15 Cdn per barrel for light sweet crude oil at Edmonton and $5.88 Cdn per MMBTU AECO spot for natural gas, the established reserves value using a discount rate of 10 percent is $120.8 million.

Business risks

High Point is engaged in the exploration, development and production of crude oil and natural gas. The oil and gas business is inherently risky and there is no assurance that hydrocarbon reserves will be discovered and economically produced. Operational risks include competition, reservoir performance uncertainties, environmental factors, and regulatory, environment and safety concerns. Financial risks associated with the petroleum industry include fluctuations in commodity prices, interest rates, currency exchange rates and the cost of goods and services.

High Point employs highly qualified people, uses sound operating and business practices, and evaluates all potential and existing wells using the latest applicable technology. High Point complies with government regulations and has in place an up-to-date emergency response plan. Environment and safety policies and standards are adhered to. Liabilities for future abandonment and restoration costs are assessed and provided for annually. High Point maintains property and liability insurance coverage. The coverage provides a reasonable amount of protection from risk of loss; however, not all risks are foreseeable or insurable.

A commodity hedging program is in place to protect product pricing on a portion of production and ensure cash flows are available for reinvestment.

Outlook

High Point will continue to focus on the exploration for and development of high quality natural gas and light oil resources in the deeper part of the Western Canadian Sedimentary Basin. Projects in these areas require additional time to achieve full reserve recognition but they provide an excellent base for sustainable growth.

The drive to be a low cost producer of high valued products will continue in 2004. The properties we currently own possess a low cost structure and produce high valued commodities. All new development and acquisitions will be screened to ensure they possess these characteristics.

High Point will continue to invest approximately 70 per cent of its capital budget on lower risk development projects and 30 per cent on exploration and land acquisition programs. There is no certainty when an exploration concept will become a new development. The exploration projects have the ability to provide the shareholders with the opportunity for significant share price appreciation over and above normal growth trends.

2003

Quarterly Information	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual
					$000
Petroleum and natural gas sales, net of ARTC & GCA	3,530	4,806	5,398	5,678	**19,412**
Funds provided by operations	2,462	3,587	2,861	3,037	**11,947**
Basic	0.06	0.08	0.04	0.04	**0.22**
Earnings (loss) (after tax)	275	1,834	(1,035)	416	**1,490**
Basic	0.01	0.04	(0.02)	0.01	**0.03**
Capital expenditures	21,141	7,980	8,020	14,377	**51,518**
OPERATING					
Average daily production					
Oil and liquids (Bbl/d)	369	396	471	493	**433**
Natural gas (Mcf/d)	5,669	10,006	11,225	13,533	**10,133**
Oil equivalent (BOE/d) (6:1)	1,314	2,063	2,341	2,749	**2,121**
Average prices					
Oil and liquids ($/Bbl)	38.32	30.50	32.22	31.44	**32.88**
Natural gas ($/Mcf)	7.46	6.22	5.48	5.33	**5.88**

2002

Quarterly Information	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual
					$000
Petroleum and natural gas sales, net of ARTC & GCA	3,329	3,648	1,794	1,705	**10,476**
Cash flow from operations	1,890	2,007	639	403	**4,939**
Basic	0.10	0.10	0.02	0.01	**0.18**
Earnings (loss) (after tax)	(138)	(1,028)	(2,739)	(3,281)	**(7,186)**
Basic	(0.01)	(0.05)	(0.09)	(0.09)	**(0.27)**
Capital expenditures	2,005	458	4,629	12,632	**19,724**
OPERATING					
Average daily production					
Oil and liquids (Bbl/d)	1,286	1,259	678	394	**901**
Natural gas (Mcf/d)	2,644	2,402	2,061	1,819	**2,229**
Oil equivalent (BOE/d) (6:1)	1,727	1,660	1,022	697	**1,273**
Average prices					
Oil and liquids ($/Bbl)	29.59	36.18	35.54	30.98	**33.17**
Natural gas ($/Mcf)	3.46	4.32	3.28	5.93	**4.16**

Management's Report

The accompanying consolidated financial statements and all information in the annual report are the responsibility of management. Management has prepared the financial statements in accordance with accounting principles generally accepted in Canada. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and, when necessary, management has made informed judgments and estimates in accounting for transactions that were not complete at the balance sheet date. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances as indicated in the notes to the financial statements. Financial information contained elsewhere in the annual report has been prepared and reviewed by management to ensure it is consistent with the financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are protected and financial records are properly maintained to provide reasonable assurance that financial information is relevant and reliable.

The Audit and Reserves Committee is appointed by the Board of Directors, and comprises directors that are not employees of the Corporation. The Committee meets regularly with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is discharging its responsibilities, and to review the financial statements and the external auditors' report. The Board of Directors has approved the financial statements.

G A Yeryk

Glen A. Yeryk

President and
Chief Executive Officer

Shivon Crabtree

Shivon M. Crabtree

Vice-President Finance and
Chief Financial Officer

Auditors' Report

To the Shareholders of

High Point Resources Inc.

We have audited the consolidated balance sheets of High Point Resources Inc. as at December 31, 2003 and 2002 and the consolidated statements of operations and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
March 9, 2004

Ernst & Young LLP
Chartered Accountants

HIGH POINT RESOURCES INC.

Consolidated Balance Sheets
As at December 31

	2003	2002
	$	$
ASSETS (note 6) ***CURRENT***		
Cash and cash equivalent	2,148,978	2,156,724
Accounts receivable	7,705,266	3,401,029
Prepaid expenses and deposits	735,127	860,234
	10,589,371	6,417,987
Goodwill (note 3)	14,588,938	–
Property and equipment (notes 3, 4 and 5)	125,273,681	45,638,496
	150,451,990	52,056,483
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	20,595,297	14,240,675
Short term debt (note 6)	10,000,000	–
Bank debt (note 6)	20,000,000	–
	50,595,297	14,240,675
Convertible debentures (note 7)	2,917,967	2,843,607
Future site restoration and abandonment costs	451,886	590,828
Future income taxes (note 9)	29,836,165	10,779,800
	83,801,315	28,454,910
Commitments and contingencies (notes 3, 9 and 11)		
SHAREHOLDERS' EQUITY		
Share capital (note 8)	73,185,579	31,626,326
Common stock conversion rights (note 7)	223,993	223,993
Deficit	(6,758,897)	(8,248,746)
	66,650,675	23,601,573
	150,451,990	52,056,483

See accompanying notes

APPROVED BY THE BOARD

Glenn R. Carley

Fred C Coles

Glenn R. Carley, Chairman
Director

Fred C. Coles
Director

HIGH POINT RESOURCES INC.

Consolidated Statements of Operations and Deficit
Year Ended December 31

	2003	2002
	$	$
REVENUE		
Petroleum and natural gas	27,110,673	13,688,102
Royalties, net of ARTC	(7,698,531)	(3,212,746)
Other income	124,500	55,491
	19,536,642	10,530,847
EXPENSES		
Operating	3,798,875	3,164,952
General and administration	2,422,049	1,598,907
Depletion, depreciation and site restoration	12,563,160	10,312,942
Interest and financing charges (notes 6 and 7)	1,090,757	651,314
	19,874,841	15,728,115
LOSS FROM OPERATIONS	(338,199)	(5,197,268)
Loss on sale of assets (note 5)	–	(6,437,311)
LOSS BEFORE INCOME TAXES	(338,199)	(11,634,579)
PROVISION FOR (RECOVERY OF) INCOME TAXES (note 9)		
Current	351,935	244,325
Future	(2,179,983)	(4,693,212)
	(1,828,048)	(4,448,887)
NET EARNINGS (LOSS)	1,489,849	(7,185,692)
DEFICIT, BEGINNING OF YEAR	(8,248,746)	(1,063,054)
DEFICIT, END OF YEAR	(6,758,897)	(8,248,746)
NET EARNINGS (LOSS) PER SHARE (basic and diluted)	0.03	(0.27)

See accompanying notes

HIGH POINT RESOURCES INC.

Consolidated Statements of Cash Flows
Year Ended December 31

	2003	2002
	$	$
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net earnings (loss)	1,489,849	(7,185,692)
Add items not requiring cash:		
Depletion, depreciation and site restoration	12,563,160	10,312,942
Recovery of future income taxes	(2,179,983)	(4,693,212)
Accretion interest on convertible debentures (note 7)	74,360	67,600
Loss on sale of assets	–	6,437,311
CASH FLOW FROM OPERATIONS	**11,947,386**	**4,938,949**
Changes in non-cash working capital related to operating activities	(2,633,688)	(174,806)
	9,313,698	4,764,143
FINANCING ACTIVITIES		
Increase (decrease) in bank loans	20,000,000	(12,380,500)
Issue of common shares	39,535,537	9,703,956
Increase in short term financing	10,000,000	–
Share purchase notes receivable (note 8)	–	(200,000)
Proceeds from notes receivable (note 8)	450,000	60,000
	69,985,537	(2,816,544)
INVESTING ACTIVITIES		
Additions to oil and gas properties	(51,517,139)	(19,724,115)
Abandonment costs	(512,296)	–
Acquisitions of oil and gas properties	–	(3,699,813)
Acquisitions of oil and gas companies (notes 3 and 4)	(28,659,909)	(929,772)
Cash assumed on acquisition	–	1,637,585
Proceeds on sale of oil and gas properties (note 5)	3,247,929	16,990,611
Cash & working capital deficit assumed – Glacier acquisition (note 3)	(6,674,740)	–
Changes in non-cash working capital related to investing activities	4,809,174	5,592,506
	(79,306,981)	(132,998)
INCREASE (DECREASE) IN CASH	(7,746)	1,814,601
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,156,724	342,123
CASH AND CASH EQUIVALENTS, END OF YEAR	**2,148,978**	**2,156,724**
SUPPLEMENTARY INFORMATION		
Cash interest paid	1,016,397	583,714
Cash taxes paid	351,935	244,325

See accompanying notes

Notes to the Financial Statements

1. DESCRIPTION OF BUSINESS

High Point Resources Inc. (hereafter "High Point" or the "Corporation") was incorporated under the Business Corporations Act of Alberta and its principal business activity is petroleum and natural gas exploration, development and production in Western Canada.

High Point is listed on the TSX Exchange under the symbol "HPR".

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries.

The consolidated financial statements, which have been prepared in accordance with Canadian generally accepted accounting principles, have in management's opinion been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

Cash and cash equivalents

Short-term investments with initial maturities of less than three months are considered to be cash equivalents and are recorded at cost, which approximates fair market value.

Property and equipment

Petroleum and natural gas properties and related equipment

The Corporation follows the full-cost method of accounting whereby all costs related to the exploration for and development of petroleum and natural gas reserves, whether productive or unproductive, are capitalized in one Canadian cost centre. Such costs include land acquisition, drilling, equipping, geological and geophysical and overhead expenses related to exploration and development activities. These costs are depleted on the unit-of-production method using estimated gross proven petroleum and natural gas reserves as determined by independent professional engineers. Petroleum and natural gas reserves are converted to a common unit of measure on an energy equivalent basis of six Mcf of gas to one barrel of oil. Costs of acquiring and evaluating unproven properties are excluded from depletion calculations until it is determined whether or not proven reserves are attributable to the properties or impairment occurs.

Proceeds from the sale of petroleum and natural gas properties and related equipment are applied against capitalized costs, with no gain or loss recognized, unless such a sale would result in a change in the rate of depletion of 20% or more.

Ceiling test

The capitalized costs less accumulated depletion and depreciation, future income taxes and site restoration and abandonment costs are limited to an amount equal to the estimated future net revenue from gross proved reserves (based on prices and costs at the balance sheet date) plus the cost, if any, (net of impairments) of unproved properties, less estimated future site restoration and abandonment, general and administrative expenses, financing costs and income taxes.

Provision for site restoration

Future site restoration and abandonment costs of the Corporation's petroleum and natural gas properties are estimated by reference to costs currently experienced by the Corporation. The estimated expense is reduced by expected equipment salvage values at the time of the abandonment. The resulting net estimated expense, if any, is amortized to earnings over the remaining life of the Corporation's reserves on a unit-of-production basis. Actual expenditures are applied against the accumulated provision account.

Office furniture, equipment and other

Office furniture, equipment and other assets are recorded at cost and depreciated on a straight-line basis over their estimated useful lives of three to five years.

Revenue recognition

Petroleum and natural gas sales are recognized when commodities are sold.

Joint interests

Substantially all of the Corporation's petroleum and natural gas activities are conducted jointly with others. These consolidated financial statements reflect only the Corporation's proportionate interest in such activities.

Measurement uncertainty

The amounts recorded for depletion and depreciation of property and equipment, the provision for future site restoration and abandonment costs and the ceiling test calculation are based on estimates of proven reserves, production rates, oil and natural gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future years could be significant.

Income taxes

The liability method is used in accounting for income taxes. Under this method, future income tax assets and liabilities are recognized based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period in which the change occurs.

Flow-through shares

The Corporation has financed a portion of its exploration and development activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related expenditures are renounced to subscribers. To recognize the foregone tax benefits to the Corporation, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers. For flow-through share issuances in 2002, the tax effect of the renouncement was recorded when the corresponding exploration and development expenditures were incurred.

In 2003, the Corporation prospectively adopted the recommendation of the Emerging Issues Committee (EIC) of the CICA. EIC 146 requires the recognition of the foregone tax benefit at the time of the renouncement provided there is reasonable assurance that the expenditures will be incurred.

Financial instruments

The Corporation periodically enters into commodity price derivative instruments to reduce the Corporation's exposure to adverse fluctuations in commodity prices. No contracts are entered into for trading or speculative purposes. Gains and losses relating to commodity swaps that meet hedge criteria are recognized as part of petroleum and natural gas revenue concurrently with the hedged transaction.

Financial instruments recognized on the balance sheet include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, convertible debentures and short and long-term debt. As at December 31, 2003 and 2002 there are no significant differences between the carrying amounts reported on the balance sheet and their estimated fair values.

Stock-based compensation plan

The Corporation has a stock based compensation plan, which is described in note 8.

As options are issued at current market value, the option has no intrinsic value and therefore, no compensation expense is recorded when the options are granted. Consideration paid by optionees on the exercise of stock options is credited to share capital.

Direct awards of stock to employees and stock option awards granted to non-employees are accounted for in accordance with the fair value method of accounting for stock-based compensation. The fair value of direct awards of stock is determined by reference to the quoted market price of the Corporation's stock and the fair value of stock options is determined using the Black Scholes option pricing model. In periods prior to January 1, 2002, the Corporation recognized no compensation expense when stock or stock options were issued to employees.

Goodwill

Goodwill, which represents the excess of purchase price over fair value of net assets acquired, is not amortized and is assessed by the Corporation for impairment at least annually. Impairment is assessed based on a comparison of the fair value of the net assets acquired to the carrying value of the net assets, including goodwill. Any excess of carrying value over and above fair value is the impairment amount, and is charged to earnings in the period identified.

3. ACQUISITION OF GLACIER RIDGE RESOURCES LTD.

On July 15, 2003, the Corporation acquired all of the issued and outstanding shares of Glacier Ridge Resources Ltd. (Glacier). The Glacier acquisition was accounted for by the purchase method and shares were acquired for an aggregate of:

(i) $28.5 million in cash;

(ii) $10.5 million payable by the issuance of 6,562,504 common shares of High Point at a deemed value of $1.70 per common share; and

(iii) non-interest bearing promissory notes due August 31, 2004 in an aggregate amount equal to a portion of the difference in reserve value of Glacier's properties on July 1, 2004 compared with April 1, 2003, and which will not exceed $4.2 million.

On the date of acquisition, no value was assigned to the notes as the amount could not be quantified. Glacier's bank debt and working capital deficit, totaling approximately $6.7 million, were assumed in the acquisition.

Calculation of Purchase Price:

Fair value of cash and shares issued	$ 39,656,257
Transaction costs	159,909
	$ 39,816,166

Allocation of Purchase Price:

Goodwill	$ 14,588,938
Property and equipment	43,614,975
Working capital deficit and debt	(6,674,740)
Future site restoration	(59,199)
Future income tax	(11,653,808)
	$ 39,816,166

4. ACQUISITION OF MESQUITE EXPLORATION LTD.

On June 19, 2002, by plan of arrangement (Arrangement), High Point acquired all of the issued and outstanding shares of Mesquite Exploration Ltd. (Mesquite), an oil and natural gas company. In addition, each Mesquite warrant was converted into a High Point warrant and the 524,468 Mesquite options not exercised were converted into High Point options. Immediately following the acquisition, High Point, (then High Point Energy Corp.) consolidated its shares on a one for three basis and changed its name to High Point Resources Inc.

As a result of the Arrangement, the former shareholders of Mesquite acquired control of High Point. Accordingly, the transaction was accounted for as a reverse takeover whereby Mesquite was deemed to be the acquirer of High Point for accounting purposes.

The acquisition has been accounted for using the purchase method with the results of operations included in the consolidated financial statements from the closing date of the acquisition. The estimated fair value of the acquisition was $11,890,634 based upon the issuance of 11,890,634 shares. The determination of the $1.00 per share value was based upon the fair value of Mesquite's net assets at the date of acquisition. The fair value of the purchase consideration has been allocated to High Point's assets and liabilities as follows:

Calculation of Purchase Price:

Fair value of shares issued	$ 11,890,634
Transaction costs	929,772
	$ 12,820,406

Allocation of Purchase Price:

Property and equipment	$ 20,815,324
Cash	1,637,585
Working capital excluding cash	(2,318,436)
Future site restoration and abandonment costs	(30,160)
Future income tax	(7,283,907)
	$ 12,820,406

5. PROPERTY AND EQUIPMENT

	2003		
	Cost	Accumulated Depletion and Depreciation	Net Book Value
Petroleum and natural gas properties and related equipment	$ 157,777,772	$ 32,692,130	$125,085,642
Office furniture, equipment and other	576,576	388,537	188,039
	$ 158,354,348	$ 33,080,667	$125,273,681

	2002		
	Cost	Accumulated Depletion and Depreciation	Net Book Value
Petroleum and natural gas properties and related equipment	$ 58,622,473	$ 13,149,712	$ 45,472,761
Office furniture, equipment and other	407,993	242,258	165,735
	$ 59,030,466	$ 13,391,970	$ 45,638,496

On December 1, 2003, the Corporation sold its interest at Progress and Monitor Alberta and its heavy oil properties at Lloydminster, Saskatchewan for net proceeds of $2,535,948.

In addition, various other minor interests were sold for proceeds of $711,981 in 2003.

For the year ended December 31, 2003, the provision for site restoration and abandonment costs was $314,154 (2002 – $250,317).

No indirect general and administration expenses have been capitalized in 2003 or 2002. At December 31, 2003, costs of $8,050,497 (2002 – $4,756,334) related to unproven properties have been excluded from the depletion calculation.

On January 1, 2002, the Corporation acquired the crude oil and natural gas assets of a related company for cash of $3,699,813 and the issuance of a $3,000,000 convertible debenture (note 7). The cash component of the acquisition was financed through an increase in revolving demand loans of $3,000,000 and $699,813 from working capital.

On July 31, 2002, the Corporation closed the disposition of certain oil and gas properties for proceeds of $15,641,289. The net book value of the sold properties was determined based upon relative reserves at the date of disposition and resulted in the recognition of a loss on sale of $6,437,311.

6. LOANS

The Corporation has a revolving term credit facility in place with a Canadian chartered bank. The facility is for $32,000,000 and interest is charged at the bank's prime rate plus 1%. Collateral for the facility consists of a demand debenture for $50,000,000 secured by a first floating charge over all assets. At December 31, 2003, $20,000,000 was drawn against the credit facility.

Effective November 17, 2003, additional financing in the way of a 'Secured Development Bridge Facility' was arranged with a Canadian lending corporation. This facility provided $10,000,000 on November 17, 2003 with an additional $5,000,000 available on or before February 2, 2004. The effective interest rate on the loan is at bank prime plus 3% with a prepayment date of September 15, 2004 and a maturity date of January 1, 2005. In addition, the lender has been granted a 5% Gross Overriding Royalty (GOR) on selected future development projects, reducing to a 1.6% GOR upon repayment of the loan. Collateral for the facility consists of a $20,000,000 fixed and floating charge debenture over all assets. At December 31, 2003 $10,000,000 was drawn on this facility. As the Corporation expects to repay the amounts drawn on the facility in 2004, the balance has been recorded as a current liability.

For the year ended December 31, 2003, the effective interest rate was 4.7% (5.1% in 2002).

7. CONVERTIBLE DEBENTURES

The Corporation has convertible debentures outstanding of $3,000,000 which are convertible into common shares at the option of the holders at $1.60 per share. The convertible debentures mature on January 1, 2005, are collateralized by the petroleum and natural gas properties of the Corporation and are subordinated to bank debt and the Secured Development Bridge Facility. Interest is payable quarterly at an annual rate of 7%. The Corporation can elect to repay the convertible debentures at any time prior to maturity without penalty.

The convertible debentures were segregated into debt and equity components based upon their respective fair values at the date of issuance. The $223,993 equity component represents the holder's conversion right and is included in Shareholders' Equity.

In 2003, the Corporation incurred interest expense of $210,000 (2002 – $210,000) on the debentures plus non-cash financing charges of $74,360 (2002 – $67,600) related to the accretion of the discount on the debentures.

8. SHARE CAPITAL

Authorized

Unlimited number of voting common shares with no par value
Unlimited number of non-voting preferred shares issuable in series

Issued and outstanding common shares	Number of Shares		Amount
Balance at December 31, 2001	18,722,993	$	11,898,863
Tax benefits renounced – flow-through shares	–		(2,019,549)
Issued on acquisition of Mesquite (notes 4 and i)	11,890,634		11,890,634
Issued for cash on exercise of stock options	204,191		140,215
Issue of flow-through common shares for cash (ii)	8,548,332		10,258,001
Share issue costs, net of tax of $292,422			(401,838)
Notes receivable (iii)			(200,000)
Repayment of notes receivable			60,000
Balance at December 31, 2002	39,366,150		31,626,326
Issue of common shares for cash (iv)	7,634,207		11,069,600
Issued on acquisition of Glacier (vi)	15,937,504		26,156,257
Issued for cash on exercise of stock options	331,667		208,500
Issue of flow-through common shares for cash (v)	7,200,000		16,000,000
Share issue costs, net of tax of $1,117,595			(1,624,969)
Tax benefits renounced flow-through shares (notes ii and v)			(10,700,135)
Repayment of notes receivable (vii)			450,000
Balance at December 31, 2003	70,469,528	$	73,185,579

(i) The shares issued on acquisition of Mesquite are recorded net of the non-interest bearing notes receivable of High Point of $1,200,000. In 2001, High Point issued advances to certain officers, or companies controlled by them, for purposes of purchasing, in aggregate, 1,000,000 shares. The loans have full recourse, with the shares pledged to the Corporation as collateral. The loans are evidenced by promissory notes and are repayable as follows: 2005 – $235,000 and 2006 – $480,000. For purposes of these consolidated financial statements, the shares purchased with the proceeds of the notes will not be considered to be outstanding and reflected in share capital until the notes are repaid and accordingly, the aggregate amount outstanding on these notes has been recorded as a reduction of the shares issued on acquisition.

(ii) On October 31, 2002, the Corporation issued 8,548,332 flow-through shares for proceeds of $10,258,001 less issue costs of $694,260. The Corporation renounced $10,258,001 to shareholders in 2002 and under the 'look back' provision governing flow-through shares was required to expend the amount in 2003. The taxable benefit lost to the Corporation in 2003 was $4,180,135 at current tax rates.

(iii) On October 31, 2002, High Point advanced to an employee $200,000. The employee subsequently purchased 85,000 flow-through shares and 79,167 non flow-through shares of the Corporation. Security for the loan consists of a pledge of the common shares.

In addition, the loan for the purchase of flow-through shares is full recourse. The employee is required to pay interest on the loan at the prime rate charged by the Corporation's bank. The shares are being held until the loan is repaid.

(iv) On March 12, 2003, the Corporation issued 7,634,207 common shares at $1.45 per share for proceeds of $11,069,600 less issue costs of $749,200.

(v) On June 24, 2003, the Corporation issued 4,000,000 flow-through shares at $2.00 per share for proceeds of $8,000,000 less issue costs of $497,500.

On December 23, 2003, the Corporation issued 3,200,000 flow-through shares at $2.50 per share for proceeds of $8,000,000 less issue costs of $497,500.

The Corporation renounced $16,000,000 to the shareholders in 2003, and under the 'look back' provision governing flow-through shares, the Corporation will be required to expend the amount in 2004. The taxable benefit lost to the Corporation in 2003 was $6,520,000 at current tax rates.

(vi) On July 15, 2003, the Corporation issued 9,375,000 common shares at $1.60 per share for proceeds of $15,000,000, which proceeds were used in the acquisition of Glacier. A further 6,562,504 common shares were issued at a deemed value of $1.70 per share as part of the consideration paid for the acquisition of Glacier. Share issue costs of $998,364 were incurred in relation to this issue.

(vii) In January 2003, the Corporation paid $200,000 to certain officers for bonuses which were awarded in December 2002. The $200,000 was then paid back to the Corporation by those officers to reduce notes receivable from those same persons. On July 28, 2003, the Corporation awarded a further $250,000 in bonuses to certain officers and an employee. The bonuses were also applied against notes receivable from those same persons.

Non interest bearing notes receivable issued	$	1,200,000
2002 repayment		(60,000)
2003 repayment		(425,000)
Outstanding balance at December 31, 2003	$	715,000
Loan to employee	$	200,000
2003 repayment		(25,000)
Outstanding balance at December 31, 2003	$	175,000
Total loans outstanding	$	890,000

Stock options

The Corporation has established a stock option plan whereby options may be granted to the Corporation's directors, officers, employees and consultants for up to 10% of the common shares issued and outstanding. The exercise price of each option equals the market price of the Corporation's stock on the date of the grant and an option's maximum term is five years. The stock options vest one-third immediately, one-third after one year following the date of grant and one-third two years following the date of grant. No compensation expense is recognized for the plan when stock options are issued or exercised. The following is a continuity of stock options outstanding for which shares have been reserved:

The fair value of options granted during the year was estimated at the date of grant using a Black-Scholes Option Pricing Model with the following assumptions for 2003: risk-free interest rate of 2.38%; dividend yield of 0%; volatility factor of the market price of the Corporation's common shares of 0.33%; and, an average expected life of the options of 3 years. For purposes of pro-forma disclosure, the estimated fair value of the options is amortized to expense over the option vesting periods. On a pro-forma basis, had the fair value method been used, the net loss for the year ended December 31, 2003 would be increased by $81,894. Basic and diluted net loss per share would be unchanged.

Earnings per share

The Corporation utilizes the treasury stock method in the determination of diluted per share amounts. Under this method, the diluted weighted average number of shares is calculated assuming the proceeds that arise from the exercise of outstanding and in the money options are used to purchase common shares of the Corporation at their average market price for the period. The weighted average number of common shares outstanding during the year was 55,329,790 (2002 – 26,719,775) and 56,246,310 diluted (2002 – 27,228,230).

	2003		2002	
	Number of Shares	Weighted Average Exercise Price $	Number of Shares	Weighted Average Exercise Price $
Opening	2,696,669	1.05	1,048,339	0.82
Mesquite options (note 4)	–	–	524,468	0.78
Granted	985,000	1.60	1,611,666	1.20
Exercised	(331,667)	0.63	(204,191)	0.69
Expired	–	–	(283,613)	–
Closing	3,350,002	1.25	2,696,669	1.05
Exercisable, end of year	2,151,528	1.16	1,452,138	0.96

	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price $	Number Exercisable	Weighted Average Exercise Price $
Range of exercise prices					
$0.30 – $0.69	216,669	1.4	0.41	216,669	0.41
$0.90 – $1.05	256,667	1.0	1.00	256,667	1.00
$1.20 – $1.20	1,891,666	3.4	1.20	1,349,891	1.20
$1.58 – $1.60	985,000	4.6	1.60	328,301	1.60
	3,350,002	3.4		2,151,528	1.16

9. FUTURE INCOME TAXES

The components of the future income tax liability are as follows:

	2003	2002
Differences between tax base and reported amounts for depreciable assets	$ 35,328,662	$ 12,946,625
Benefit of non-capital losses	(2,983,032)	(930,166)
Benefit of attributed crown royalty income	(596,582)	(566,272)
Share issue costs	(1,586,944)	(483,744)
Provision for future site restoration and abandonment costs	(325,939)	(186,643)
	$ 29,836,165	$ 10,779,800

Income taxes recorded in the Statement of Operations are different than the amount computed by applying the combined Canadian federal and provincial corporate tax rates of 40.75% (2002 – 42.12%) to the loss before income taxes. The majority of these differences are explained as follows:

	2003	2002
Expected tax	$ (137,816)	$ (4,900,485)
Add (deduct) income tax effect of:		
Non-deductible crown royalties, net of ARTC	2,042,346	1,011,119
Resource allowance	(1,510,154)	(484,141)
Attributed Royalty Income carry forward	(99,052)	(178,175)
Income tax rate reduction	(2,462,910)	(75,576)
Non-taxable or non-deductible items	(58,020)	–
Part XII.6 tax	63,893	98,562
Large corporation tax	288,043	53,088
Other	45,622	26,721
Recovery of income taxes	$ (1,828,048)	$ (4,448,887)

10. COMMITMENTS

The Corporation has entered into lease arrangements for office space to April 30, 2006. The future minimum lease payments total $766,481 (2004 – $328,492; 2005 – $328,492; and, 2006 – $109,497).

11. FINANCIAL INSTRUMENTS

Two costless collar natural gas commodity hedging contracts were entered into in January 2003. One contract began February 1, 2003 for one year on 2,000 GJ/day with a floor price of $5.50/GJ and a ceiling price of $7.54/GJ. The second contract began March 1, 2003 for one year on 2,000 GJ/day with a floor price of $5.50/GJ and a ceiling price of $7.47/GJ.

Effective January 1, 2004 to March 31, 2004, a natural gas commodity hedging contract was entered into for 4,000 GJ/day at a fixed price of $7.21/GJ.

12. COMPARATIVE AMOUNTS

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

13. SUBSEQUENT EVENTS

(a) Financial instruments

Effective February 1, 2004 to October 31, 2004, a natural gas commodity hedging contract was entered into for 2,000 GJ/day at a fixed price of $6.04/GJ.

Effective April 1, 2004 to October 31, 2004, a natural gas commodity hedging contract was entered into for 4,000 GJ/day at a fixed price of $5.89/GJ.

(b) Short term loan facility

On February 2, 2004, the Corporation was advanced the remaining $5,000,000 available as part of the 'Secured Development Bridge Facility' described in note 6.

(c) Property disposal

On January 28, 2004, the Corporation disposed of its interests in properties in the Wembley area of Alberta for proceeds of $1,100,000.

Corporate information

Board of Directors
John A. Brussa
Glenn R. Carley, Chairman
Fred C. Coles
E. Keith Conrad
Christina M. Fehr
Donald Rowden
Glen A. Yeryk

Executive Officers
Glen A. Yeryk, President & CEO
R. James Brown, Vice-President Finance, CFO and Secretary
Stewart Larsen, Controller

Auditors
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Calgary, Alberta

Evaluation Engineers
Gilbert Laustsen Jung Associates Ltd.
Calgary, Alberta

Legal Counsel
Burnet Duckworth and Palmer LLP
Calgary, Alberta

Registrar and Transfer Agent
Valiant Trust Company
Calgary, Alberta

Stock Exchange Listing
TSX Exchange
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Abbreviations

Crude Oil and Natural Gas Liquids

WTI	West Texas Intermediate
API	American Petroleum Institute
ARTC	Alberta Royalty Tax Credit
Bbl	Barrel
Bbls	Barrels
MBbls	Thousand barrels
MMBbls	Million barrels
Bbls/d	Barrels per day
BOE	Barrels of oil equivalent
MBOE	Thousands of barrels of oil equivalent
MMBOE	Millions of barrels of oil equivalent
BOE/d	Barrels of oil equivalent per day
NGL	Natural gas liquid
STB	Stock tank barrel
MSTB	Thousand stock tank barrels
MMSTB	Million stock tank barrels

Natural Gas

Mcf	Thousand cubic feet
MMcf	Million cubic feet
Bcf	Billion cubic feet
Mcf/d	Thousand cubic feet per day
MMcf/d	Million cubic feet per day
GJ	Gigajoule
MMBTU	Million British thermal units
MM	Million

Conversion

TO CONVERT FROM	TO	MULTIPLY BY
BOE	Mcf	6.0
Mcf	Cubic metres (m^3)	28.174
Bbls	Cubic metres (m^3)	0.159
Feet	Metres	0.305
Miles	Kilometres	1.609
Acres	Hectares	0.4
Hectares	Acres	2.5

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